



FINANCE COMMITTEE MEETING

5/9/2023

[] Placed Before Meeting

[X] Received at Meeting

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City of Palo Alto

MEMORANDUM

To: Finance Committee

Date: May 9, 2023

SUBJECT: Agenda Item #6: Additional Information Requested by Finance Committee

This memo includes information requested by the Finance Committee at the May 5, 2023 Budget Hearing to provide additional context and/or data points of reference to aid in budget deliberations. There are also several Parking Lot and Tier 2 items that needed additional clarification after discussions with the Finance Committee at their meeting.

AGENDA ITEM #1 FISCAL YEAR 2024 BUDGET PROCESS OVERVIEW & NON-DEPARTMENTAL**Pension Trust Fund Contributions**

In January 2017 the City Council authorized the establishment of a Pension Trust Fund with the Public Agency Retirement Service (PARS) (surplus funds - ¹ savings or excess revenues). In October 2018, the City Council revised to more conservative normal cost calculations for pension benefits and a transfer these funds ("supplemental") funding beyond CalPERS actuarial determined contribution levels to the Pension Trust Fund (CMR 9740²). This practice was memorialized in a Retiree Benefit Funding Policy (formerly Pension Funding policy) (CMR 11722³ as modified by CMR 2212-0515⁴). This policy also stipulates additional one-time contributions if excess revenues or unspent savings are available. Annual contributions to the Pension Trust fluctuate – a history of these contributions across all funds is provided in the table below.

	Contribution (Baseline)	Contribution (One-time)*	Total Contribution	City Discount Rate	CalPERS Discount Rate
FY 2017	\$-	\$2.1M	\$2.1M	-	7.5%
FY 2018	\$-	\$3.4M	\$3.4M	-	7.5%
FY 2019	\$6.0M	\$2.0M	\$8.0M	6.2%	7.375%
FY 2020	\$6.2M	\$7.6M	\$13.8M	6.2%	7.25%
FY 2021	\$5.0M	-	\$5.0M	6.2%	7.0%

¹ <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2017/7553.pdf>

² <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2018/9740.pdf>

³ <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmrs/year-archive/2020-2/id-11722.pdf>

⁴ <https://cityofpaloalto.primegov.com/Portal/viewer?id=1663&type=0>

	Contribution (Baseline)	Contribution (One-time)*	Total Contribution	City Discount Rate	CalPERS Discount Rate
FY 2022	\$5.1M	\$3.9M	\$9.0M	6.2%	7.0%
FY 2023 (est.)	\$7.6M	\$5.5M	\$13.1M	5.8%	7.0%
FY 2024 (est.)	\$13.1M	-	\$13.1M	5.3%	6.8%
TOTAL	\$45.9M	\$21.6M	\$67.5M		

* Includes one-time contributions from the General Fund Budget Stabilization Reserve (BSR) and payments from other funds to maintain similar contribution levels. Approximately 65% of contributions are from the General Fund.

AGENDA ITEM #2 COMMUNITY & LIBRARY SERVICES

Human Services Resource Allocation Process (HSRAP) Funding

As discussed during the Finance Committee meeting on May 5, funding levels from HSRAP have not been tied to a percentage of General Fund budgeted expenditures. Historical funding levels for this program are included in the chart below detailing the total budgeted City expenditures for General Human Service Contracts, HSRAP funding, HSRAP Contingency Funding, and additional one-time HSRAP funding allocations.

- General Human Services: Annual entitlements to Avenidas, Palo Alto Community Child Care (PACCC); more recently includes Youth Community Services (YCS) and Youth Connectedness Initiative (YCI).
- HSRAP: Annual grant funding for non-profits which is distributed through the Human Services Resources Allocation Process (HSRAP) on a two-year cycle. A more detailed history is provided in the chart below.
- One-Time HSRAP: Additional HSRAP funding that was allocated on a one-time basis for extenuating circumstances such as COVID-19 Recovery.
- HSRAP Contingency: A reserve set aside annually to be used for emerging or unexpected community services needs throughout the year.

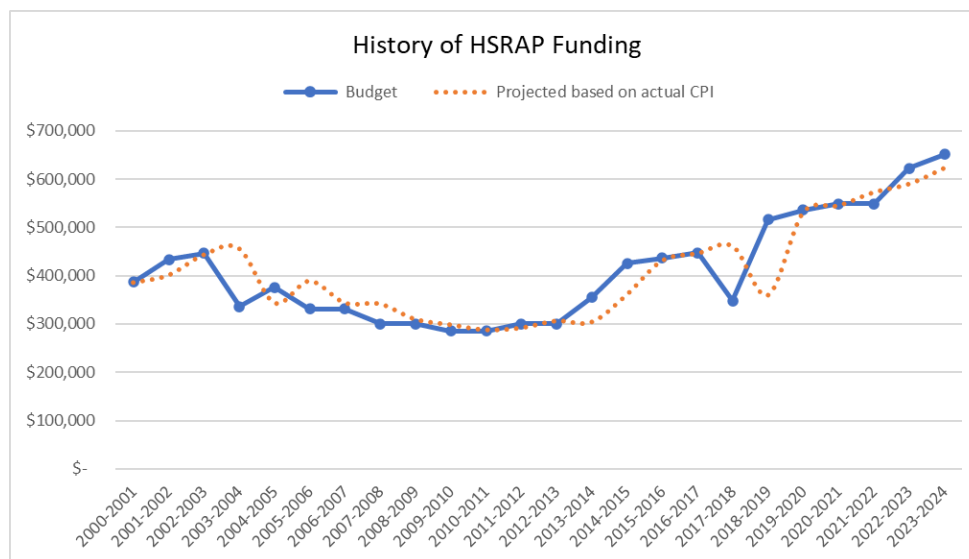
	General Human Services	HSRAP	One-Time HSRAP	HSRAP Contingency	Total
FY 2001	852,744	386,245	-	-	\$1,238,989
FY 2002	878,326	433,254	-	-	\$1,311,580
FY 2003	904,676	444,862	-	-	\$1,349,538
FY 2004	943,018	335,835	-	-	\$1,278,853
FY 2005	943,018	375,835	-	-	\$1,318,853
FY 2006	918,949	331,453	-	-	\$1,250,402
FY 2007	918,949	331,453	-	-	\$1,250,402
FY 2008	935,249	300,453	-	-	\$1,235,702
FY 2009	868,444	300,453	-	-	\$1,168,897
FY 2010	825,022	285,430	-	-	\$1,110,452
FY 2011	825,022	285,430	-	-	\$1,110,452
FY 2012	809,715	300,737	-	-	\$1,110,452

	General Human Services	HSRAP	One-Time HSRAP	HSRAP Contingency	Total
FY 2013	809,715	300,737	-	-	\$1,110,452
FY 2014	881,950	355,324	-	-	\$1,237,274
FY 2015	890,583	357,215	118,380	50,000	\$1,416,178
FY 2016	913,738	436,659	-	50,000	\$1,400,397
FY 2017	937,495	448,013	-	50,000	\$1,435,508
FY 2018	960,933	347,654	155,559	50,000	\$1,514,146
FY 2019	1,226,581	515,793	-	50,000	\$1,792,374
FY 2020	1,267,592	535,908	-	50,000	\$1,853,500
FY 2021	1,169,907	549,306	-	50,000	\$1,769,213
FY 2022	1,169,907	549,306	200,000	50,000	\$1,969,213
FY 2023	1,216,943	622,377	-	50,000	\$1,889,320
FY 2024*	1,275,291	651,035	-	50,000	\$1,976,326

* FY 2024 amount excludes \$50,000 included in FY24 Proposed (\$100,000 total over two years) and additional funding of \$150,000 recommended by the Finance Committee at the May 5 meeting, as these amounts remain unallocated.

Note: FY 2001 General Fund Budget was \$108.8 million and in FY 2023, was \$247.4 million.

The graph below reflects the History of HSRAP Funding allocated for grants through the HSRAP program. These annual amounts do not include funding for Avenidas and Palo Alto Community Child Care in order to provide a more accurate comparison to the current funding amount.



Parking Lot/Tier 2: Art Center Positions Recommended Revisions: \$171,000 ongoing

The Committee requested prioritization of staffing on Tier 2 for support and volunteer staffing in Community Services Department. Instead of adding funding for Exhibit Installation or Visitor Services, staff recommends adjusting the current Tier 2 Art Center proposals as follows:

- Reduce the Palo Alto Art Center Exhibit Installation Crew from 1.0 FTE to 0.48 FTE,
- Reduce the Arts Center Program Visitor Services Staffing from 1.0 FTE to 0.75 FTE, and

- Combine these into one proposal.

This proposal (\$171,000 ongoing) costs more than adding funding for either Exhibit Installation or Visitor Services, but it would provide vital staffing restorations in two areas at the Art Center and provide additional support to the Public Art Program to increase efficiencies and meet community demand for visual arts.

These additions would allow the Art Center to restore hours to pre-pandemic public open hours, providing exhibition access, staff access for rental reservations on Sundays, and much-needed family workshops on Sundays (note, this would generate \$10,000 annually in revenue). These additions would also allow the Department to hire temporary employees for the Art Center's exhibition installations and provide support for the Public Art Program, hanging works from the Art in Public Places collection, performing regular maintenance duties, and supporting temporary installations and events such as CODE:ART.

Annual Cost to Manage Library Branches and Number of Patrons Served

Many patrons use more than one branch for physical materials. Although physical materials do have a "home" branch location, all physical materials are accessible to patrons at any branch – patrons may place holds on materials available systemwide and pick up at their preferred branch. Digital materials (ebook, eaudio, streaming, etc.) is not tracked per branch even if the patron is using a digital service while sitting in a branch.

Both circulation and visitor data is provided as per hour to more accurately compare library usage in FY 2023 to pre-pandemic levels in FY 2019. Open hours in FY 2023 have slowly expanded over the year, with COVID subsiding and increased hiring. The authorized 10,452 open hours for FY 2023 is still pending due to the Mitchell Park branch not yet open on Sundays as a result of hiring lead-times.

LIBRARY SERVICES	Pre-pandemic (FY19)^a	Post-pandemic (FY23)
Staffing (FTE)	62.58	55.5 ^b
Open hours	13,520	10,452 ^c
Programming events	1,208	670 ^d
Annual circulation	1,470,551	1,222,484 ^d
Circulation per open hour	109	139 ^d

LIBRARY BRANCH VISITORS	FY19 Visitor per hour	FY23 Visitor per hour ^d
Rinconada Library	72	42
Children's Library	33	24
Mitchell Park Library	145	167
College Terrace Library	31	12
Downtown Library	48	25
Total systemwide	329	270

^a Actual numbers from a 12-month year in FY 2019

^b Budgeted - As of May 2023, 19 positions (13.4 FTE) are vacant.

^c Budgeted - Not yet achieved due to Mitchell Park branch not yet open on Sun days due to hiring lead-times.

^d Projected based on 10 months of data in FY 2023

AGENDA ITEM #3 PLANNING & TRANSPORTATION SERVICES

Palo Alto Transportation Management Authority (PATMA) Expansion and Pass Distribution

The City has an annual contract with the Palo Alto Transportation Management Association (PATMA) to reduce the number of single occupancy commuters in the downtown area by providing program administration services including but not limited to outreach, transit pass distribution, and transit pass monitoring. Currently, the FY 2024 budget recommends \$200,000 in the University Avenue Parking Fund for the PATMA, and as part of their work PATMA donates free transit passes to downtown businesses only. While PATMA could provide program administration services outside of the downtown area, those services would have to be covered by a different funding source, because the University Avenue Parking Funds are limited by policy to services in the downtown business district. In order to expand the PATMA services citywide in FY 2024, staff recommends that the total amount of the contract with PATMA not change; however, a portion of the contract should be funded from the General Fund. Based on the assumption that administrative costs for non-downtown areas would be lower because those areas have fewer employers, staff estimates that \$25,000 would cover the administrative costs for work beyond downtown. Staff's recommendation is to shift \$25,000 of the existing \$200,000 contract from the University Avenue Parking Fund to the General Fund.

Parking Lot/Tier 2: Housing ad hoc Committee

On January 28, 2022, the City Council held its annual retreat to approve the 2023 Council Priorities and directed staff to return with objectives to advance these priorities (CMR 2301-0791). On February 12, 2023, the Council approved an objective to establish an ad hoc committee on housing (CMR 2302-0910). This committee was recently established. On May 5, 2023, the Finance Committee placed direction for the housing ad hoc committee to examine the coordinated area plan process in the parking lot. Staff have noted this direction and will follow up accordingly. There is no identified resource impact to this action, therefore staff recommend this item be removed from parking lot/resource allocation deliberations.

Parking Lot/Tier 2: Downtown Housing Plan

The Planning and Development Services Department recommends the Finance Committee consider funding tier 2 proposal "Expand housing opportunities through the initiation of a Downtown Housing Plan: approval of project funding and a consultant contract (formerly HSEB10)" (\$550,000, one-time). The Downtown Housing Plan is currently underway, and staff is in the process of reviewing proposals and evaluating scopes. Funding is needed to augment the \$800,000 in grant funding and \$150,000 per year for four years based on the initial results from a public procurement solicitation (RFP). Project costs may escalate up to \$1.4 million based on the RFP responses requiring additional funding of up to \$550,000 to complete this project (average response cost was \$1.1 million for a minimum cost increase of \$300,000). Current grant funds expire in 2025 though if work extends beyond that period, staff will apply for an extension. Should this project not be completed, the City is not at risk of refunding grant funds already spent, however, the City would need to return any unspent portion. If additional funding is not approved in the FY 2024 operating budget, the Downtown Housing Plan will no longer be pursued. Alternatively, upon completion of the procurement process, staff can concurrently return to Council for contract approval and the corresponding budget appropriation in fall 2023.

AGENDA ITEM #4 PUBLIC SAFETY SERVICES**Canine Unit Funding Detail**

The Police Department's funding for the City's Canine Unit (two canines) is \$15,000 budgeted in the General Fund and spread across several budget categories (supplies and materials and general expenses) for animal care and training. Approximately \$10,000 is for monthly ongoing maintenance training, which is budgeted in the general expense category in the training budget of the Personnel and Training division. The other \$5,000 is funded in supplies and materials for costs such as veterinary care, kennel services, and food. Over the last six years, donors have provided designated funds for purchasing canines when needed.

Two Police Officers from the Field Services Division (Patrol) are designated as Canine Officers in addition to their normal patrol duties on one of the daily patrol teams. These Officer positions are budgeted like other Patrol positions, apart from any overtime they may incur as a result of the training required for their Canine Unit designation. Overtime for training averages approximately 4 hours per month, approximately \$5,000 annually.

**5/9 AGENDA ITEM #1 INFRASTRUCTURE AND ENVIRONMENT: CAPITAL IMPROVEMENT PROGRAM,
CAPITAL FUND PROJECTS**
Cubberley Custodial Costs

The Cubberley Fund has approximately \$0.9 million in operating and maintenance costs in FY 2024, which includes salaries and benefits and funding for landscaping services, fire sprinkler inspections and repair, parking lot sweeping, and supplies and equipment. To zero in on the janitorial costs, it is approximately \$0.2 million of the \$0.7 million in operating and maintenance salaries and benefits in this fund. The majority of janitorial costs were shifted from the General Fund to the Cubberley Maintenance Fund in FY 2019 as part of CMR 9925⁵. This implemented direction from the City Council to find \$4.0 million in General Fund savings to fund a \$4.0 million transfer to the Pension 115 Trust Fund in FY 2019.

Pursuant to Section 8 of the 7/1/2020 Cubberley lease agreement, the City's maintenance obligations for both the Palo Alto Unified School District (PAUSD) owned and City owned portions of Cubberley include all interior and exterior work and common areas of the property, janitorial, pest control, plumbing, fire sprinkler, sewage, HVAC, roof, electrical and lighting facilities, irrigation systems, fences, landscaping, and litter collection and removal. The lease requires PAUSD to reimburse their prorata share of these costs to the City within 30 days of receipt of invoice from the City. PAUSD's original prorata share was 41.19% of the PAUSD owned portion of Cubberley, but increased to 53.12%, effective April 16, 2022, when the City surrendered the temporary JMZ Building back to PAUSD.

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⁵ <https://www.cityofpaloalto.org/files/assets/public/agendas-minutes-reports/reports/city-manager-reports-cmr/yr-archive/2018/9925.pdf>